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EXCEPTION

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

AZ CORP COMMISSION

DOCKETED

CARL J. KUNASEK

CHAIRMAN

JAN 24 8 07 AM '00

JAN 24 2000

JIM IRVIN

COMMISSIONER

WILLIAM A. MUNDELL

COMMISSIONER

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DOCKETED BY

IN THE MATTER OF THE JOINT  
APPLICATION OF SUN CITY WATER  
COMPANY AND SUN CITY WEST  
UTILITIES COMPANY FOR APPROVAL  
OF CENTRAL ARIZONA PROJECT  
WATER UTILIZATION PLAN AND FOR  
AN ACCOUNTING ORDER  
AUTHORIZING A GROUNDWATER  
SAVINGS FEE AND RECOVER OF  
DEFERRED CENTRAL ARIZONA  
PROJECT EXPENSES.

Docket No. W-01656A-98-0577

Docket No. SW-02334A-98-0577

**RUCO'S EXCEPTIONS TO RECOMMENDED ORDER**

The Residential Utility Consumer Office ("RUCO") offers these exceptions, not to modify what RUCO believes is the intent of the Recommended Opinion and Order ("RO&O"), but to clarify the language expressing the Commission's desire to further study the Groundwater Savings Project ("GSP") before granting full approval.

At the hearing on this matter, none of the parties opposed the GSP entirely. However, RUCO, Staff and the Sun City Taxpayers Association shared a hesitancy to approve the GSP at this time. Between them, they raised the following concerns about the GSP:

- The cost estimates (\$15 million capital cost, \$187,000 incremental annual operating cost) for the GSP are very preliminary and are conservative;
- The GSP would increase rate base by 40 percent and result in rate shock;

- 1       • Citizens has announced plans to sell its water utilities and it is unclear whether the
- 2       new owner will support the GSP and be prepared to fund it;
- 3       • The golf courses have not yet made binding commitments to acquire CAP water
- 4       from the GSP;
- 5       • Major elements of the GSP may not be necessary;
- 6       • A joint facility with the Aqua Fria Division may be possible at a lower cost.

7 Even the Task Force, which supported approval of the GSP, desired to have Citizens provide  
8 additional information regarding final cost estimates and detailed engineering and construction  
9 schedules.

10       In light of the concerns raised by the parties over the GSP, the RO&O limits its approval  
11 of costs to those "reasonable and prudent costs associated with the completion of the  
12 preliminary design/updated cost estimate." (page 16, lines 21-22). The RO&O does not  
13 approve the GSP outright. Instead, it requires Citizens to file the completed preliminary  
14 design/update cost estimate within six months, and address the feasibility of a joint facility with  
15 the Aqua Fria Division, the need for all elements of the plan, and binding commitments from  
16 the golf courses to purchase the CAP water. (Page 21, lines 1-6).

17       RUCO is concerned, however, that the RO&O's statement that the Commission "will  
18 approve the concept" of the GSP (page 16, lines 20-21) is vague and may be misinterpreted in  
19 the future as approval of all the incremental operating and capital costs of the GSP. RUCO  
20 therefore proposes alternative language, set forth in the attached Exhibit A, to clarify that the  
21 Commission will continue to explore whether the GSP is an appropriate use of CAP water, but  
22 only approves the prudent costs of those exploration efforts at this time.

1 RESPECTFULLY SUBMITTED this 24<sup>th</sup> day of January, 2000.

2  
3   
4 Scott S. Wakefield  
5 Chief Counsel

6 AN ORIGINAL AND TEN COPIES  
7 of the foregoing filed this 24th day  
8 of January, 2000 with:

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24

1 EXHIBIT A

2 RUCO's PROPOSED AMENDMENT

3  
4 Page 16, Line 20 After "Groundwater Savings Project."

5 INSERT new sentence: "However, the cost estimates for the project are very  
6 preliminary and conservative, the plan would increase rate base by 40 percent, Citizens  
7 has announced plans to sell its water utilities, the golf courses have not made binding  
8 commitments to acquire the CAP water, major elements of the plan may not be  
9 necessary, and a joint facility with the Aqua Fria Division may be possible at a lower  
10 cost."

11  
12 Page 16, Lines 20-21

13 DELETE "will approve the concept"

14 INSERT "reserve approval"

15  
16 Page 16, Line 21 After "Project"

17 DELETE "and"

18 INSERT ". However, we will"